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**MEANS**

MINNESOTA EQUAL ACCESS NETWORK SERVICES, INC.

VIA FEDERAL EXPRESS

April 15, 1998

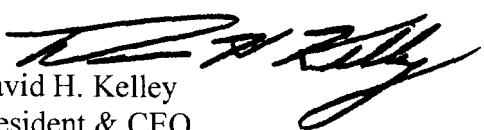
Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: Ex Parte Presentation /  
CC Docket No. 96-45  
AAD/USB File No. 98-37

Dear Ms. Salas:

Enclosed for filing in your office, pursuant to Section 1.1206(b) of the Commission's Rules, please find the original and one copy of this letter along with a copy of a letter delivered by e-mail and sent by Federal Express to Irene Flannery of the Universal Service Branch of the Common Carrier Bureau. Please contact the undersigned if further information is needed.

Respectfully submitted,

  
David H. Kelley  
President & CEO

DHK:cm

cc: (w/o attachment) Irene Flannery

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MINNESOTA EQUAL ACCESS NETWORK SERVICES, INC.

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APR 16 1998

FEDERAL ROOM

Irene M. Flannery, Esq.  
Universal Service Branch - Common Carrier Bureau  
Federal Communications Commission  
2100 M. Street NW  
Room 8922  
Washington, DC 20554

Re: Ex Parte Presentation CC Docket No.: 96-45 AAD/USB File No. 98-37

Dear Mrs. Flannery:

This letter is sent by Minnesota Equal Access Network Systems, Inc. (MEANS) in opposition to the request submitted by the Iowa Telecommunications and Technology Commission ("ITTC") for determination that Iowa Communications Network (ICN) is eligible to receive universal service support for telecommunications services provided to schools, libraries and rural health care institutions. MEANS submits that the Commission appropriately determined that ICN was not eligible for universal service support for telecommunications services in the Fourth Order on Reconsideration, released December 30, 1997 ("Fourth Order on Reconsideration") and that the request of ITTC should be denied.

MEANS will not restate arguments that fully support the conclusion in the Fourth Order on Reconsideration that ICN is not eligible for universal service reimbursement or credit in connection with telecommunications services offered to schools and libraries. These arguments are clear and have been presented in by other parties.

There is another factor, however, that also supports the Commission's prior decision. Allowing a state telecommunications network to obtain universal service funding for telecommunications services provided to schools and libraries would severely impair the competitive bidding intended by Section 54.603 of the Commission's Rules. Allowing a state telecommunications network to "compete" with common carriers for providing telecommunications services eligible for universal service support will inevitably skew the decision-making of schools and libraries in favor of the state telecommunications network and against services provided by common carriers.

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The decision-making will be skewed because state governments provide, either directly (through direct school aid) or indirectly (through property taxes), virtually the entire budgets for most schools and for many libraries. Even if schools and libraries are not "required" to obtain services from state telecommunication networks, the schools will be aware that there may be adverse financial consequences if a legislatively sponsored state telecommunications network is not used to the degree that the legislature may have intended or hoped. This awareness of the connection of the state telecommunications network to funding sources (state legislatures) will inevitably bias the schools' decision-making process in favor of the state network. It is all too predictable that schools (and libraries) that constantly experience financial pressure, will be highly sensitive to implicit and/or explicit pressure to patronize the state sponsored network to make that network a success. Even if pressure is not directly applied, the prospect of improving legislative receptivity to funding requests will surely exert a substantial influence on the decision-making process.

The presence of such an incentive will be impossible to control, since the Commission's rules rely on the subjective judgement of the schools and do not require the schools to accept the lowest cost bidder. While such discretion for the schools is appropriate, that discretion strongly suggests that the process be kept free of obvious sources of bias in favor of one service provider. The only way to do so is to follow the Commission's earlier decision and to affirm that state networks are not eligible to receive direct universal service support for telecommunications service provided to schools, libraries, and rural health care institutions.

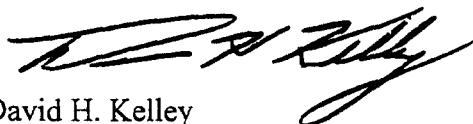
MEANS concerns in this regard are confirmed by first-hand experience. In Minnesota, MEANS competes with a state network for the business of governmental entities. While there is no obligation on the entities to use the state network, MEANS has encountered both implicit and explicit pressure upon governmental agencies to use the state network, as well as an underlying concern among agencies that funding sources may be jeopardized if the state telecommunications network is not selected or used to its fullest extent.

In addition, allowing a distortion of the competitive bidding process would increase the cost of universal service, a result that is not only at odds with the intent of Section 254 and the Commission's Rules, but also will have adverse impacts on other schools and libraries by reducing the quality and quantity of service that may be made available within the fixed universal service budget. This concern also supports the Commission's prior decision to find that ICN is not eligible for direct universal service support.

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MEANS appreciates the opportunity to submit these comments addressing this very important policy issue and urges the Commission to affirm its prior decision that state networks are not eligible for universal service support for telecommunications services provided to schools, libraries, or rural health care institutions.

Respectfully submitted,



David H. Kelley  
President & CEO

DHK:cm

cc: Magalie Roman Salas (By Federal Express)

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